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## Mexico

### Agricultural Situation

#### Weekly Highlights and Hot Bites, Issue #45

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**Report Highlights:**

- MEXICO REALIZES AGRICULTURAL TRADE SURPLUS WITH THE U.S.
- NATIONAL FARMERS CONFEDERATION SPEAKS OUT AGAINST HR 4437
- TOP FOOD BRANDS REFUSE TO REPORT USE OF GMO'S
- FROM TOBACCO TO BANANAS
- SAGARPA TO HELP DROUGHT-AFFECTED GROWERS
- SAGARPA CUTS RED TAPE
- TOMATO PRICES INCREASE 52 PERCENT IN ONE WEEK
- RURAL AND URBAN INCOME GAP REDUCED
- GOM SUGAR MILLS TO EXPORT 101,451 TONS UNDER NAFTA TRQ
- MIGRATION PREVENTS SERIOUS CRISIS IN MEXICO
- SAGARPA: BORDER WALL WILL PRIMARILY AFFECT THE UNITED STATES
- WTO MADE MODEST PROGRESS ON FARM SUBSIDIES

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Mexico [MX1]  
[MX]

**WELCOME TO HOT BITES FROM MEXICO, A WEEKLY REVIEW OF ISSUES OF INTEREST TO THE U.S. AGRICULTURAL COMMUNITY. THE TOPICS COVERED IN THIS REPORT REFLECT DEVELOPMENTS IN MEXICO THAT HAVE BEEN GARNERED DURING TRAVEL AROUND THE COUNTRY, REPORTED IN THE MEDIA, OR OFFERED BY HOST COUNTRY OFFICIALS AND AGRICULTURAL ANALYSTS. READERS SHOULD UNDERSTAND THAT PRESS ARTICLES ARE INCLUDED IN THIS REPORT TO PROVIDE INSIGHTS INTO THE MEXICAN "MOOD" FACING U.S. AGRICULTURAL EXPORTERS. SIGNIFICANT ISSUES WILL BE EXPANDED UPON IN SUBSEQUENT REPORTS FROM THIS OFFICE.**

**DISCLAIMER:** Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy

### **MEXICO REALIZES AGRICULTURAL TRADE SURPLUS WITH THE U.S.**

According to the Secretariat of Agriculture, Mexico realized a \$15 million agricultural trade surplus with the U.S. during the first nine months of 2005. During this period of time Mexico exported \$6.89 million in food and agricultural products to the U.S. (Source: El Universal; 12/20/2005)

### **NATIONAL FARMERS CONFEDERATION SPEAKS OUT AGAINST HR 4437**

Heladio Ramirez Lopez, president of the National "Campesino" Confederation (CNC), demanded that President Fox vehemently defend the rights of Mexicans by persuading the U.S. Senate to reject the Border Protection, Antiterrorism, and Illegal Immigration Control Act of 2005 (H.R. 4437), which was recently approved by the U.S. House of Representatives. The proposed law would criminalize over 11 million undocumented immigrants living in the U.S., and punish U.S. citizens and permanent residents who come into contact with them. Because of the inability of the Fox administration to reach an immigration agreement with the United States, Ramirez-Lopez proposed the creation of an attorney's office for migrant's defense, and to strengthen the Institute of Mexicans Abroad. He added, "If the U.S. is not going to revise the agricultural chapters of NAFTA, they will have to accept the surge of 15 million Mexican countrymen." (Source: La Jornada; 12/19/2005)

### **TOP FOOD BRANDS REFUSE TO REPORT USE OF GMO'S**

Greenpeace Mexico accused several large food companies such as Kellogg's, Maseca, Bimbo, Danone, Lala, Nestle, Herdez, and La Costeña, of refusing to inform consumers if they currently include GMO's in their products. Greenpeace issued a "red & green" company report, where companies are labeled green if they demonstrate and guarantee that they do not use GMO's in their products, or labeled red if they refuse to provide that information. According to Greenpeace, this is an effort to warn and educate consumers about GMO ingredients. (EL FINANCIERO, DEC. 12)

### **FROM TOBACCO TO BANANAS**

Tobacco growers from the Mexican state of Nayarit are currently facing tough times. International competition from Brazil, Argentina, and Chile, and the adoption of restrictive

laws on cigarette consumption, has hit the industry hard. In the past ten years the number of Mexican tobacco farmers has fallen from over 12,000 to fewer than 4,000. Furthermore, during that period of time, production costs have risen 34%, while cigarette prices have risen only 5%. A lack of infrastructure and credit has forced growers to switch production to other products such as dry beans, sorghum, vegetables, and bananas. (EL NORTE, DEC. 12)

### **SAGARPA TO HELP DROUGHT-AFFECTED GROWERS**

Mexico's Ministry of Agriculture recently announced the delivery of natural disaster assistance to communities in the states of Durango and Zacatecas that have been affected by drought. In addition to monetary aid, SAGARPA sent certified seeds to farmers in an attempt to compensate for the devastation suffered in dry bean, corn, and oat production areas. With the first delivery of \$100 million pesos (U.S. \$9.25 million) to the state of Durango, the GOM hopes to help cattle growers avoid further losses. (LA PRENSA, DEC. 13)

### **SAGARPA CUTS RED TAPE**

Mexico's Ministry of Agriculture announced that the wait times for plant and animal health certificates have been reduced. The zoo-sanitary export certificate is now issued in 20 minutes, rather than 48 hours, and phytosanitary certificates are now issued in 24 hours. SAGARPA has been working to streamline their bureaucracy and reduce by at least 50% the wait-time for the delivery of all of their services. (DIARIOMONITOR, DEC. 14)

### **TOMATO PRICES INCREASE 52 PERCENT IN ONE WEEK**

According to Mexico's National Market Information Service (SNIIM), in the past week tomato prices in wholesale markets have risen 52% for the red tomatoes, and 18% for the saladette (Roma) tomatoes. SNIIM forecasts that due to tight supplies, and strong demand, prices will continue to increase in the coming weeks. The agency's report states that lower than expected supply is due to heavy rains in the Mexican state of Sinaloa, the main tomato producer state, and to several diseases which have affected production. (EL NORTE, DEC. 14)

### **RURAL AND URBAN INCOME GAP REDUCED**

Juan Galarza, director of the Agrifood and Fisheries Statistics and Information Service (SIAP), stated that the average yearly income of a rural Mexican family has increased from \$10,526 pesos (U.S. \$ 970) to \$14,053 pesos (U.S. \$ 1,295) in the past five years, thus reducing extreme poverty by 10% in rural areas. Galarza also commented that in 1998, 50% of the rural population suffered some level of poverty, whereas today that number has been reduced to 30%. The reasons for the increase in rural income include: additional income from urban family members, remittances from immigrants in the United States, and GOM assistance programs such as Procampo and Oportunidades. "Another important fact to point out is that over the past years food consumption habits have shifted to products with higher protein, vitamin, and mineral content," Galarza concluded. (EL ECONOMISTA, DEC. 15)

### **GOM SUGAR MILLS TO EXPORT 101,451 TONS UNDER NAFTA TRQ**

FICO, the marketing and trading arm for the 23 government run sugar mills, recently auctioned off the NAFTA U.S. sugar TRQ. E.D.& F. MAN successfully purchased the 101,451 MT allocation at a price of U.S. \$441.00 per ton. The firm will be responsible for the logistics of transporting the sugar to the U.S. (Source: El Financiero, El Universal, Excelsior 12/19/05)

### **MIGRATION PREVENTS SERIOUS CRISIS IN MEXICO**

According to a Wells Fargo Bank report, one of the reasons why the Mexican economy has been able to grow at rates of 3 percent, and still manage to avoid a serious social crisis, is the fact that a large percentage of its population has been able to migrate to the U.S. to look for jobs and opportunities. Remittances from these workers have served as an "escape valve" that continues to delay the "day of reckoning." This day of reckoning will come when the country's political system finally decides to implement unavoidable reforms that will help the country recover some of its lost competitiveness in world markets, stated the Wells Fargo report. The report also states that Mexican economic growth continues to show characteristics of a fully developed economy rather than an emerging or less developed economy, with growth rates that remain too low to satisfy the needs of a growing population, but enough to avoid an increase in social demands. "As we have argued on a number of occasions, in order for economic growth in the country to be 'efficient', in the sense of being able to absorb the growth of its labor force, the country has to grow by at least 5 percent per year," the Bank's report states. (Source: El Financiero; 12/21/2005)

### **SAGARPA: BORDER WALL WILL PRIMARILY AFFECT THE UNITED STATES**

The Secretary of Agriculture, Francisco Mayorga, stated that Americans would be more affected by the erection of a wall along the U.S.-Mexico border than Mexicans. His reasoning was that if the U.S. closes the border to the entry of illegal Mexican immigrants, the U.S. food production and processing industry will suffer tremendously. The U.S. agribusiness industry's inability to produce will then force U.S. consumers to buy food and agricultural products from Mexico. The Secretary remarked that Mexico should view that wall as an opportunity to generate employment, increase production, and gain market share in foreign markets. (Source: La Jornada; 12/22/2005)

### **WTO MADE MODEST PROGRESS ON FARM SUBSIDIES**

Mexico has emerged from recent WTO talks in Hong Kong with a renewed sense of urgency to focus on building the nation's competitive edge internationally, said Economy Secretary Sergio Garcia de Alba. In a press conference, Garcia de Alba stated that an agreement reached at the meeting - in which wealthy nations will eliminate export subsidies for agricultural products by 2013 - represents "modest progress" for the WTO. At the same press conference, Agriculture Secretary Francisco Mayorga stated that this agreement will not affect federal aid given to Mexican farmers. Garcia de Alba praised the G20 group, comprised of developing nations including Mexico, Brazil, and India, saying it was critical to pressuring wealthy countries to accept the subsidy reductions. The controversial subject of "sensitive products," or goods that nations want to exempt from free trade rules due to special cultural or economic significance, was left pending. The ongoing negotiations in 2006 will define which products will be classified as sensitive. Mexico hopes to receive sensitive

status for its milk, beans, corn, and sugar. Mayorga said Mexico must continue to brace for competition against countries where costs of production are even lower. "Just as is happening with China, we could see the same thing with India, Pakistan, Bangladesh, or Vietnam," he said, referring to the increased competition Mexican exports have faced in recent years in the critical U.S. market. Mayorga also stated that rapidly developing countries could knock Mexico out of markets where it has long been secure, and gave as an example Vietnam's growth as a coffee exporter, which has displaced Mexico in the international coffee markets. Garcia de Alba also emphasized the importance of technical and scientific development in Mexico so it can produce manufactured goods or packaged foods for export, as well as fruits and vegetables. (Source: El Universal; 12/22/2005)

#### REPORTS RECENTLY SUBMITTED BY FAS/MEXICO CITY

MX5110	Weekly Highlights and Hot Bites, Issue #44	12/16/05
MX5109	Weekly Highlights and Hot Bites, Issue #43	12/9/05
MX5108	Weekly Highlights and Hot Bites, Issue #42	12/2/05
MX5107	Annual Avocado Report	11/29/05
MX5106	Weekly Highlights and Hot Bites, Issue #41	11/28/05
MX5105	Annual Citrus Report	11/24/05

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